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Weekly Highlights & Hot Bites, Issue #6 2004

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Includes PSD Changes: No
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Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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MATAMOROS TO BE EXCLUDED AS PORT OF ENTRY FOR MEAT PRODUCTS

According to the SAGARPA Chief Inspector in Matamoros, Tamaulipas, this port will no longer be authorized as a port of entry for meat product imports. The inspector told ATO Monterrey that the principal reason for its' removal as an authorized port of entry was that there are no SAGARPA-authorized inspection facilities for meat products on the Mexican side of the border, as required by the Federal Law of Animal Health. The SAGARPA official mentioned, however, that Matamoros will remain open for chicken products commercialized only in the Matamoros border zone, not if its' destination is the interior of Mexico. (Source: ATO Monterrey, 1/29/04)

MEXICAN IMPORTERS SEEK BEEF SUPPLIERS IN SOUTH AMERICA

With the market for U.S. beef supplies closed, Mexican beef importers from Northern Mexico have been traveling to South America looking for replacement suppliers. Based on debriefings with ATO Monterrey, local importers believe that Argentina and Brazil could meet their demand. Conversely, Chile, with which Mexico already has a protocol for supplying beef, does not produce enough to make up one-item loads. Uruguay could be another potential supplier, although their beef production is also limited and does not have the scale to fulfill some of the Mexican importers' requirements. Another drawback against sourcing South American beef is the fact that most beef produced there comes from grass-fed cattle, generally not preferred by the Mexican market. Importers stated that the United States has been very successful in promoting and marketing its grain-fed and white marbled beef. (Source: ATO Monterrey, 2/4/04)

CAMPESINOS DEMAND A FAIR BUDGET DISTRIBUTION

The political movement "El Campo No Aguanta Mas" demanded that the Mexican Lower Chamber's Budget Commission coordinate with the Secretariat of the Treasury (SHCP) as soon as possible to adequately "keep in line" the federal budget destined for the countryside. The Secretariats of Agriculture (SAGARPA), Natural Resources (SEMARNAT) and Social Development (SDS) have shown that their budget expense strategies contemplate smaller amounts than the ones approved by Congress. Fernando Celis, a representative of the movement, said there has been a lack of communication between Congress and the Fox administration to adapt the new programs devoted to the countryside with the current operational structures of the involved Secretariats, generating conflicts that "are not good for the country, moreover, it generates worsening and sterile discussions." The campesino movement announced that it would conduct marches and demonstrations before the SHCP. Their implicit intention is to put pressure on Mexican legislators for a clear allocation of the

budget among producers, since the legislators are responsible for the appropriate distribution. (Source: *El Financiero*, 2/6/04)

COMBS, LOOKING FOR BORDER OPENING

Texas Agricultural Commissioner Susan Combs will visit Mexico City for two days to promote the Mexican border opening for the export of U.S. beef. Sources in Combs' office indicated that the Texas officer would meet with Mexican counterparts in an attempt to convince them to open the border that was closed in late December 2003. Mexico is the second largest U.S. export market for red meats, valued at US\$800 million, during 2003. The United States is an important point of destination for Mexican live cattle and vice versa. During 2002 and 2003, Texas shipped more than 100,000 head of cattle to Mexico. Last month, officials from the Department of Agriculture (USDA) traveled to Mexico to assure the appropriate authorities that U.S. beef is safe for human consumption and to brief them on safety precautions the U.S. government has implemented for the protection of consumers. (Source: *Excelsior*, 2/9/04)

MEXICO READY TO EXPORT POULTRY MEAT TO THE U.S. MARKET

The Mexican Poultry Producers Association (UNA) expects to begin exporting, for the first time, poultry meat to the United States by the month of March 2004. According to the news report, there is a market niche of approximately 21 million Mexicans in the United States that have a preference for processed poultry products and dark meat, instead of white meat, that Mexico could supply. It is expected that during the first year, exports could reach US\$20 to US\$30 million. Mexican producers indicate that there are three or four plants that could export processed poultry. (Source: *Reforma*, 2/6/04)

ESTABLISHED IMPORTERS ALERT THE RETURN OF "DISHONEST BUSINESS PRACTICES" WHEN MARKET FOR U.S. BEEF REOPENS

In discussions with ATO Monterrey, established beef importers in Northern Mexico cited the possibility of a re-emergence of high risk or dishonest "buyers" who prey upon gullible suppliers. When the Mexican market re-opens for U.S. beef sales, this situation could emerge as a result of the rush of new U.S. traders to conduct business activities with built-up inventories of U.S. beef products and demand in Mexico. Regular importers stated that individuals that have knowledge of the market, but not a good reputation as "paying customers," seek out new suppliers and offer their representation for sales throughout Mexico. The unreliable buyers then dispose of the new traders' products through various channels that do not enhance the business reputation of the supplier and may disappear without making payment. (Source: ATO Monterrey, 2/4/04)

NORTHERN MEXICO SUPERMARKET OPENS SEVENTH WAREHOUSE CLUB

Soriana, a major Northern Mexico Supermarket chain currently with 133 outlets, has recently expanded its operations into creating warehouse club formats (City Club), presumably to better compete with the U.S. chains such as Sam's Club and Costco. Like these chains, City Club will require paid membership access and promote business-to-business sales. On February 17, Soriana will open a new City Club outlet in Monterrey, making this its seventh outlet nationwide. The first City Club opened in Tlaxcala in 2002 and other City Clubs are located in Monclova, Chihuahua, Saltillo, Villa Hermosa and Pachuca. Soriana's expansion plan for 2004 also includes their first retail incursion into Mexico City with two City Clubs, two regular formats and two supermarket formats. Thanks to ATO outreach and FAS Cooperator programs, Soriana has become an important sales outlet for U.S. foods and beverages. (Source: ATO Monterrey, 2/9/04)

ALL-INCLUSIVE HOTELS THREATEN RESTAURANTS AND COMMERCIAL ESTABLISHMENTS

According to the Secretariat of Tourism in the State of Quintana Roo, hotels in Cancun and other Mexican resorts are turning more and more to all-inclusive plans, to the detriment of off-site restaurants and commercial establishments in those communities. In Cancun, almost 35 percent of hotel rooms are all-inclusive, up from 27 percent in 1999, and that figure is expected to grow to 36.5 percent in 2004. South of Cancun, on the Mayan Riviera, 72.5 percent of hotels are all inclusive, growing to 73.6 percent in 2004. There are 26,550 hotel rooms in Cancun and another 21,438 room on the Mayan Riviera. Hotels are adopting the all-inclusive format because both international and Mexican tourists want everything available at their hotels and want to know in advance the cost of their vacation. (Source: *El Financiero*, 2/4/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX4017	Weekly Highlights & Hot Bites Issue #5	2/3/04
MX4018	Sugar Reference Prices to Pay Sugarcane for MY 2003/04	2/9/04
MX4019	Modifications to NOM-012-ZOO-1933	2/9/04
MX4020	Mexico Rejects Pork Safeguard Request	2/9/04

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